

## Insurance Networking News

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### Speed, Service Define Success

*As business leaders of claims departments huddle with their information technology counterparts, automating claims to more effectively assign, manage and close claims files has become the order of the day.*

By Steve Dwyer, Senior Editor

June 1, 2005 - For insurers, handling claims is not only costly in terms of paying for damages, it ultimately can cost them customers: A poor claims experience will motivate angry policyholders to switch carriers.

Processing paper-based claims creates bottlenecks that prevent effective communication between the affiliates in the claims value chain, a condition that inflates claims cycle time and impairs customer relations. As business leaders of claims departments huddle with their information technology counterparts, automating claims to more effectively assign, manage and close claims files has become the order of the day.

"Our whole effort with claims has been geared toward accessibility, flexibility and ability to deliver what we call speed-to-service," says David Lovely, vice president of claims operations for Novato, Calif.-based Fireman's Fund Insurance Co.

"We wanted a workflow solution to eliminate multiple handoffs in the claims process. In an on-demand world, speed-to-service can reduce cycle time, because that translates to faster service for the customer," he says.

Fireman's Fund is among a growing number of insurers that are relying on information management techniques and solutions to reduce loss costs and improve customer satisfaction.

"From the outset, carriers need to capture data, and create what we call 'segmentations' for claims, which is distributing claims to the appropriate work group. The key is getting data upfront, applying business rules and establishing the right processing steps," says Matt Foster, chief technical architect for insurance at Bermuda-based Accenture.

For years, Fireman's reliance on telephone, fax and face-to-face first-notice-of-loss reporting to agents was not unlike other P&C insurers. Fireman's recognized that fusing traditional claims-reporting with Web-based reporting would address its speed-to-service strategy.

Fireman's embarked on an extensive transformation that underscored nimble and efficient claims processing supported by enhanced online and offline communications. First, the carrier created 14 "enterprise distribution zones" overseen by supervisors who help keep communication flow constant between the claims units and the agents, Lovely says.

Specific to the Web, Fireman's then implemented a Web-based reporting platform from Boston-based First Notice Systems Inc. that links all the various reporting entities in the claims value chain—from adjusters and agents to risk managers and policyholders. And when a policyholder files first-notice-of-loss information or updates claims information online through First Notice's ClaimCapture, agents receive automatic updates about the claims through their agency management systems.

#### Resolving bottlenecks

The Web solution has helped resolve bottlenecks that often occur through fax and phone, says Andy Knudson, senior director of Fireman's claims service center. "That is particularly crucial when a catastrophe strikes and your services are severely backlogged. With online reporting there are no backlogs, which means the sooner you can auto-assign a claim, the faster policyholders can begin the repair and recovery process," he says. The speed-to-service initiative has drastically reduced the average settlement time for an auto claim from greater than 20 days to an average of six days, Lovely says. Policyholders who have filed claims with Fireman's Fund are impressed by speed-to-service. A survey commissioned by Fireman's indicated that of 250 people who filed a claim, 97% indicated that they were pleased with the overall experience. But what was "shocking," says Lovely, was the fact that Fireman's received high marks from individuals who may have had a claim payment rejected. "They told us despite this, they were still satisfied with the overall experience from a speed-to-service standpoint. Technology is a big reason for those results: The role of the Web has solved a lot of those pain points."

### **"How can we improve?"**

P&C carriers such as Fireman's that are looking to reduce those so-called pain points owe their tactical and strategic technology decisions to a tighter alignment between IT and business.

Fireman's, for instance, relies heavily on a purchasing management division (with deep IT involvement) that seeks the best vendors, Knudson explains.

"We usually ask, 'What is the speed to market and what is the value (of this technology) to policyholders?' We'll sit down with vendors and find out what their strategy is for delivering on this value proposition."

In fact, many insurance organizations agree that IT/business cohesion is no longer a matter of "lip service" but is built on synergistic collaboration.

"When we examine our claims efforts, we ask, 'How can we as claims specialists help our adjusters do their jobs better? How can we assign work to adjusters and enable them to share information?' says Cecil Rudd, director of claims for New Mexico Mutual Insurance Co., Albuquerque.

"In looking at the attributes of a claim, you may need to assign a nurse case manager for this claim, but not for another."

A workers' compensation insurance provider that writes one-third of the workers' comp coverage in New Mexico, the carrier began analyzing workflow steps that its 30 claims adjusters and seven managers followed in processing claims. As it did this, New Mexico Mutual identified 14 separate internal workflows, and within each workflow were hundreds of tiny steps to complete each one.

"We tried to determine how many of these steps were redundant. We sought quicker access to information and how to make the workflow more efficient," states Rudd. The technology piece (the carrier is using ClaimCenter, an end-to-end workflow system from Guidewire Software, San Mateo, Calif.) is expected to help New Mexico Mutual eliminate redundant steps through automated claims assignment capabilities.

Still a work in progress, the system is expected to go fully live possibly by the end of this year, Rudd says. As the project unfolded, New Mexico Mutual worked with two IT programmers, one from Guidewire and the other from its internal team.

"We sat down in different working units and informed both programmers, 'Here's the workflow of our adjusters and here's what we hope to achieve,'" says Rudd. "We furnished them with

the business rules, and if we ever had to make a modification to one of our business rules, it was able to be done the same day."

### **Competitive differentiator**

While New Mexico Mutual orchestrated the details on its end, Guidewire embarked on what it calls a "design and discovery phase" with the customer to identify the business drivers and the technology configuration that is necessary based on business rules, explains James Kwak, vice president, marketing, for Guidewire.

"Our goal early on is to train their people to configure screens and integrate the system. We want the customer to own the application in the future," Kwak says. Rudd adds: "We always ask IT to help us work smarter and faster. We ask them to help us overcome all the challenges."

Industry observers say that carriers' emphasis on providing a high-quality claims management experience to policyholders is expected to intensify as more insurers attempt to market their claims capabilities to retain customers and enhance their brand equity.

A positive experience with claims enables insurers to use these competencies to leverage to their brand, says Jan Sibley, insurance practice leader for research and consulting firm Thought-Works, Chicago. "Claims capabilities are becoming a bigger part of a carrier's brand, which in turn helps the good insurers establish claims as a core competitive advantage." What's more, the vision of an insurer as a customer-centric organization is transforming the claims process into a competitive differentiator and key to customer retention and cross-sales, says Edward Blomquist, a financial services technology analyst for London-based Datamonitor and author of a study titled, "Claims Automation in U.S. Property-Casualty Insurance."

"By automating all or some of the elements of a lengthy claims process, insurers can capture substantial cost savings and efficiency gains while providing a faster, more transparent and claimant-friendly experience," he says.

But as insurers attempt to extend the claims experience to their brand, the automation efforts to support claims management is not the be-all, end-all proposition to the overall effort that some believe it might be. Accenture's Foster says there's a temptation for carriers to "over-automate" claims processing. "Carriers often become overly aggressive and go from zero or minimal automation to full-scale automation, and do it without fully being able to assign the value of each automation activity. This leads to over-engineering of systems," he says.

Reinforcing this theory, Lee Fogle, vice president for Jersey City, N.J.-based ISO Claims Services Inc., says that when insurers use technology to drive efficiency in claims management, they might be addressing "efficiency" but not "effectiveness."

Fogle says there's a distinct difference between the two. "You might be proud of the fact that you now have a paperless process to support claims, but maybe you don't have what's of greater value: Automating claims data to make it actionable, and without actionable data, it's not effective," he says.